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C O N F I D E N T I A L SECTION 01 OF 02 RIYADH 005314

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DHAHRAN SENDS
PARIS FOR ZEYA, LONDON FOR TSOU

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TAGS: [ECON](#) [EPET](#) [SOCI](#) [PINR](#) [PGOV](#) [SA](#)
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Classified by Consul General John Kincannon for reasons 1.4
(b) and (d).

Population and Poverty Numbers

¶1. (SBU) Dr. Abdullah Al-Kadi, director of Al Bir, the largest charitable organization in the Eastern Province (EP), estimated to the CG that there were 3.7 million residents in the EP, of whom 20 percent (740,000) were expatriates. Al-Kadi, a U.S.-trained architect and urban planner, has constructed a poverty line for use in Al-Bir's work. By his definition, a family of five with a monthly income of 2,800 riyals (USD 745) is considered poor. Al-Kadi estimated that 8 to 9 percent of Saudi EP residents were below the poverty line. Al-Kadi has invested heavily in Al-Bir's data gathering and information technology capabilities and has developed an impressive geographic information systems-linked database on each household that receives or has received assistance from Al-Bir. Separately, Nabih Al-Ibrahim, a Saudi Aramco engineer and elected member of Qatif's municipal council, estimated to PolOff that the population of Qatif was 650,000. (Note: Accurate EP population figures are impossible to come by, and estimates of the Shi'a population are politically charged. Al-Kadi's and Al-Ibrahim's estimates seemed as objective and data-driven as any we have heard. End note.)

The EP Boom: More Pipes and More American Companies

¶2. (U) At a recent conference in Khobar, executives from Saudi Aramco and Sabic provided the following estimates of the scale of manpower and materiel needed to service their companies' upcoming megaprojects:
--The companies together will require 200,000 construction workers in the next three years, half of them just for laying pipe.
--The companies will require at least 25,000 engineers per year from 2006 to 2010, in comparison with about 10,000 in ¶2005.
--Ongoing and approved Sabic projects for 2006 to 2009 will require 570,000 metric tons of structural steel, 2.1 million cubic meters of concrete, and 32 million meters of electrical and instrumentation cable.

¶3. (U) In the last month, several new deals indicate that the participation of American companies in this boom may be increasing. New contract announcements include a deal between GlobalSantaFe and Saudi Aramco by which GlobalSantaFe

will provide four jackup rigs for four years starting in 2007; the awarding of the oilfield services component of Aramco's Khurais megaproject to Halliburton; and a deal between Flowserve Corp. and Al-Rushaid to build a pump repair, manufacturing, and training facility in Dhahran.

Security Shortcomings at a Desalination Plant

¶4. (C) During a meeting at the Al-Khobar desalination plant with Saleh Al Zahrani, Director General of the Saline Water Conversion Corporation in the EP, CG observed what to a layman's eye seemed like substandard security protection for four of the plant's eight conversion units. In the quarter mile between the access road and the units were only a low concrete barrier (consisting of intermittent blocks of concrete) and two relatively light chain link fences. It seemed that a group of vehicles could drive unchallenged along the access road, explode a breach through the concrete barrier, ram through the two fences, and reach the units, at which point they could effectively cut in half the amount of desalinated water to the cities of Dammam and Al-Khobar with well placed explosions. The attitude of the Al-Zahrani was not reassuring either. Asked by the CG whether he had considered the units' vulnerabilities, Al-Zahrani said that local manager for industrial security reported to SWCC's industrial security unit in Riyadh, not to him. "Up to now, God is protecting us," he continued, noting ruefully that the "bad guys are always smarter" than whatever security measures are in place. According to Al-Zahrani, the Khobar plant supplies 60 percent of the EP's drinking water. He noted that SWCC's plant in Jubail, which he said supplies more than half the drinking water for Riyadh and Qassim, enjoys a

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greater setback from the nearest road and is correspondingly better protected.

----- Railroad Executive Privatizing Himself Out of a Job -----

¶5. (SBU) Khalid Al-Yahya, President of the Dammam-based Saudi Railways Organization (SRO), described SRO's ambitious and simultaneous expansion and privatization plan to the CG on July 1. The core of this plan, according to Al-Yahya, is the construction of a Riyadh-Jeddah line, the main strategic goal of which is to create a "land bridge" stretching from Jeddah to Dammam, thereby making Jeddah an attractive unloading point for sea cargo bound throughout Saudi Arabia and the Gulf region. "Jeddah is just 50 miles off a major sea route," Al-Yahya noted, "but the Gulf is a dead end." He estimated that transporters could save 8 to 10 days on shipments from Europe to Kuwait if they could unload containers in Jeddah and ship them by rail across the Arabian peninsula. Al-Yahya explained that privatization is an essential part of the expansion plans: interested consortia must bid on a package that combines taking majority ownership of the existing SRO operations (passenger and freight operations on the Dammam to Riyadh line) with construction of the Jeddah-Riyadh link and a Dammam-Jubail link, and operation of the freight concession (the passenger concession would be given to another company to improve incentives for passenger capacity). Al-Yahya said he expected the winning consortium will be selected in mid to late 2007 and that the Jeddah-Riyadh link would be operational three years after that. He expressed regret that U.S. companies were not involved in any significant way in any of the four consortia that pre-qualified. Finally, Al-Yayha also mentioned two other major rail projects, a Mecca-Medina high speed rail link (for which SRO is involved in the discussions) and the Maaden project, which the Public Investment Fund is managing.

A Socialite Starts up a New Forum in Dammam

¶6. (C) Najib Al-Zamil, a well-known columnist and socialite related to the Al-Zamil business family, described to the CG his new Al-Zamil monthly forum that would concentrate on "improving economic development and government services, things everyone can agree on." (Comment. Approximately fifteen Shi'a civic fora have sprung up in Qatif in the last 1-2 years; the Al-Zamil monthly forum is one of the two Sunni fora in the EP of which we are aware. End comment.) Contrasting his forum to others in Qatif and elsewhere, Al-Zamil continued, "We don't want to discuss intellectual or political issues. It takes too long for anything to happen in those areas." He noted that another reason for sticking to non-controversial topics is the family business: "Everyone buys our air conditioners, and we don't want to offend any customers." The featured speaker at his first forum was Dhaifallah Al-Otaibi, Mayor of the Eastern Province; the forum was covered prominently in Al-Youm, the EP's daily newspaper. Al-Zamil noted that he was in the process of trying to register his forum with the Ministry of Information, and that he was confident of at least tacit government approval. (Comment: As the forum movement develops, it will be interesting to compare the paths of forum's like Al-Zamil's, which are closer to the establishment and likely to be less controversial, with those of Shi'a activists or secular activists like Ali Al-Dumaini. End comment.)

(APPROVED: KINCANNON)
OBERWETTER